

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-01
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SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 /096 W
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R 191202Z MAY 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3005
INFO AMEMBASSY VALLETTA
AMEMBASSY ROME
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY TRIPOLI
AMEMBASSY ALGIERS
USMISSION NATO
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 14836

E.O. 11652: GDS
TAGS: PFOR, FR, IT, MI
SUBJECT: ITALIAN/FRENCH DIALOGUE WITH MALTA: EUPHORIA
AND DEPRESSION

REF: (A) VALLETTA 0560, (B) PARIS 13951

1. IN LONG DETAILED REVIEW FRENCH/ITALIAN DIALOGUE
WITH MINTOFF WITH EUR/WE DIRECTOR ROWELL AND EMBOFF,
QUAI DEPUTY DIRECTOR MEDITERRANEAN AFFAIRS BLOT SAID
THAT IT WAS NOW CLEAR THAT FRENCH CONCEPTION OF DIALO-
GUE AND MINTOFF'S "DID NOT CORRESPOND AT ALL". EXCHANGE
HAD GONE THROUGH CYCLES OF DEPRESSION AND EUPHORIA.
PURPOSE OF LATEST CRESCENDO HAD OBVIOUSLY BEEN TO SET
STAGE FOR NEW FINANCIAL PROPOSALS TO FRENCH AND ITALIAN
GOVERNMENTS (REFS A AND B).

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2. BLOT THEN SUMMARIZED OUTLINES MINTOFF'S DEMANDS
IN TERMS CLOSE TO VALLETTA'S REF B, AND IN GREATER
DETAIL THAN REPORTED OUR REF A WHICH HAD BEEN BASED ON
QUAI'S INITIAL TELEPHONIC IMPRESSIONS. BLOT NOW CON-
FIRMS THAT MINTOFF HAD ASKED FOR BALANCE OF PAYMENTS
ASSISTANCE OF 24 MILLION MALTESE POUNDS OVER THREE YEAR

PERIOD PER PARA 2 REF B; BUT CLEARLY GLOSSED OVER FACT THAT HALF THIS AMOUNT IS APPARENTLY TO BE BORNE BY ARABS. FRENCH NOW HAD IMPRESSION THAT MINTOFF MAY HAVE SENT MISSIONS TO LYBIANS AND PERHAPS OTHERS. INDEED FRENCH HAVE BEEN SHOWN LYBIAN TEXT OF DRAFT TREATY BY MALTESE. HOWEVER, THE FACT THAT THE NORTHERN COUNTRIES WERE, AS VALLETTA REPORTS, ONLY BEING ASKED TO PROVIDE HALF OF THE REQUESTED 24 MILLION MALTESE POUND BALANCE OF PAYMENTS SUPPORT EMERGED ONLY BY INFERENCE, WHEN BLOT LATE IN THE MEETING INSISTENTLY REITERATED PREVIOUS "PERSONAL" SUGGESTION (PARA 6 REF B) THAT THE PRESENT PARTICIPANTS IN THE NATO PAYMENTS AGREEMENT MIGHT WISH TO MAKE SELF-TERMINATING THREE YEAR TAKE-IT-OR-LEAVE-IT OFFER TO MINTOFF OF A SMALLER AMOUNT OF BALANCE OF PAYMENTS ASSISTANCE IN ORDER TO CUSHION THE "BRUTAL SHOCK" OF THE 1978 TERMINATION OF NATO PAYMENTS. IN VIEW OF THE PRESUMED IMPACT OF SEPARATE DEVELOPMENT AND INVESTMENT EFFORTS, HE SUGGESTED THAT SUCH AN OFFER NEED PERHAPS ONLY BE ON A SCALE OF 5-6 MILLION MALTESE POUNDS FOR 1979-1980 -- A SCALE WHICH CORRESPONDS OVER THREE YEARS TO THE 12 MILLION MALTESE POUNDS MINTOFF APPARENTLY WANTS FROM THE NORTHERN COUNTRIES.

3. BLOT DID THIS TIME REFER TO MINTOFF'S RELATED REQUEST FOR A SPECIAL FUND FOR MALTA'S UNEMPLOYED, WHOSE SIZE WOULD DEPEND ON NUMBER OF UNEMPLOYED IN 1979. HE CONFIRMED THAT MALTESE HAD CITED ILLUSTRATIVE FIGURE FOR 5,000 UNEMPLOYED OF ABOUT 12 MILLION MALTESE POUNDS, CONFIDENTIAL

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BUT STRESSED THAT ACTUAL REQUIREMENT COULD BE VERY MUCH HIGHER DEPENDING ON LEVEL OF UNEMPLOYMENT.

4. FRENCH, BLOT CONTINUED, HAD NOW HAD OPPORTUNITY TO EXAMINE EXTENT TO WHICH ALL THIS CONFORMS TO THEIR THINKING AND HAD CONCLUDED THAT "IT DOES NOT." THEY THEREFORE PROPOSE TO GIVE MINTOFF A FIRM, QUICK AND DECISIVE "NO." FRENCH WILL REITERATE THAT AS A MATTER OF POLICY THEY DO NOT FAVOR BALANCE OF PAYMENTS AID PROJECTS (WHICH SET BAD PRECEDENT FOR FRANCE'S AFRICAN CLIENTS); AEDD THAT THEY DO NOT WISH TO BECOME EMBROILED OR ADVISE OTHERS TO BECOME EMBROILED, IN ANY "PERMANENT NEW SYSTEM" OF FINANCIAL AID TO MALTA. FRENCH WILL REITERATE, HOWEVER, THAT, PARTICULARLY IF MALTESE BEHAVIOR IS REASONABLE, FRENCH WILL BE PREPARED TO CONSIDER WAYS OF INCREASING THEIR OWN BILATERAL DEVELOPMENT ASSISTANCE.

5. INTERESTINGLY, IN SPITE OF THESE PROTESTATIONS OF

EXTREME FRENCH RESERVE REGARDING MINTOFF'S LATEST IDEAS, BLOT THEN EXPLAINED THAT HE AND THE ITALIANS HAD, A FEW DAYS AGO, DISCUSSED ALL THIS WITH THE FRG,

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AND HAD PROPOSED TO IT THE IDEA OF A TAKE-IT-OR-LEAVE-IT SELF-TERMINATING THREE YEAR BALANCE OF PAYMENTS AID SCHEME BY PRESENT NATO CONTRIBUTORS AT STARTING LEVEL OF 5-6 MILLION MALTESE POUNDS IN 1979-80. BLOT APPARENTLY PRESENTED IDEA IN SAME TERMS REPORTED PARA 6 REF B, AND CLAIMED THAT AS RESULT, GERMANS WERE "DEFINITELY INTERESTED". (EMBASSY BONN'S IMPRESSION ON THIS POINT WOULD BE OF INTEREST.

6. BLOT THEN LAUNCHED INTO WHAT CAN ONLY BE DESCRIBED AS ENERGETIC SALES PITCH, TO SEE IF US TOO COULD NOT BE INTERESTED IN CONTRIBUTING TO MALTESE AID, IN SPITE OUR STATED RESERVE. HE TROTTED OUT SERIES OF ARGUMENTS, BEGINNING WITH THE RISK THAT MALTA MIGHT TURN TO THE

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LIBYANS AND EVEN TO THE SOVIETS; THAT THEY MIGHT BIRTH SOVIET FLEET AND THAT MALTESE; AND LIBYANS MIGHT IN SUCH CASE EVEN TRY TO CLOSE MEDITERRANEAN BETWEEN MALTA AND LYBIAN COAST TO US VESSELS. ROWELL NOTED SOVIETS TOO MIGHT FIND MINTOFF'S PRICE TOO HIGH, AND RECALLED UNSUCCESSFUL LYBIAN CHALLENGE TO US MILITARY AIRCRAFT OVER A YEAR OR SO AGO. BLOT THEN SWITCHED TO POLITICAL RISKS WHICH 1979 ECONOMIC CRISIS IN MALTA MIGHT POSE, SINCE THIS COULD GIVE PCI CHANCE TO ESTABLISH ITSELF. ROWELL SUGGESTED THAT PCI WAS FULLY ENGAGED IN ITALY FOR PRESENT AND THAT IT WAS NOT YET CLEAR MALTESE WOULD TURN TO LEFT.

7. IN OVERALL RESPONSE TO WHAT SEEMED LIKE QUAI FUND-RAISING EFFORT, ROWELL THEN RECALLED THAT MINTOFF HAS KNOWN FOR SOME TIME THAT NATO PAYMENTS WOULD CEASE IN OCTOBER 1978; THAT US CONSIDERED ITS CONTRIBUTIONS, WHICH WERE TO A NATO PAYMENTS ARRANGEMENT AND NOT TO MALTA, WOULD END AT THAT TIME; AND THAT, AS FAR AS WE CAN FORESEE NOW, WE HAD NO INTENTION OF MAKING ANY FURTHER FINANCIAL PAYMENTS TO MALTESE -- INTER ALIA BECAUSE OF STRONG CONGRESSIONAL RESERVE REGARDING MINTOFF. WHILE OUR ATTITUDE TOWARD AID PAYMENTS WAS THEREFORE NEGATIVE, POSITIVE SIDE OF US POSITION WAS THAT WE HAVE BEEN AND WILL CONTINUE TO BE QUITE INTERESTED IN FOSTERING CONSTRUCTIVE INVESTMENT PROJECTS, ECONOMIC SURVEYS AND SIMILAR EFFORTS IN MALTA, WHICH COULD HELP MALTESE REDUCE UNEMPLOYMENT.

8. BLOT LISTENED VERY ATTENTIVELY AND APPEARED TO ABSORB ROWELL'S CAREFULLY NUANCED PRESENTATION.
GAMMON

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